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EYES ONLY

24 OCT 1967

Regrade Review 67-5068

MEMORANDUM FOR: Director of Central Intelligence

THROUGH : Deputy Director for Support
Executive Director-Comptroller

SUBJECT : Special Report on the CIA Retirement Policy

1. This report is for your information. It also requests your approval in paragraph 6 to proceed with general and specific studies already underway and seeks any guidance you may consider appropriate.

2. By way of background, my basic concern relates to the Agency retirement policy which since 1959 has "expected" all employees to retire as soon as they become eligible to do so without a penalty reduction in their annuity. Until recently this policy meant retirement at age 60 with 30 or more years of service or at age 62 with less than 30 but more than five years of service. The Civil Service Retirement Act was amended in 1966, however, to permit employees to retire optionally without penalty at age 60 if they had at least 20 years of service. Agency policy was thereupon revised to establish age 60 as the "expected" retirement age for all employees having 20 or more years of service. For those with less than 20 years of service expected retirement age was established at 62. During this eight-year period, the CIA Retirement System was being developed. As finally enacted in 1965 it has a mandatory retirement age of 60 (excepting GS-18's). The system is similar to the Civil Service Retirement System with the major exception of a 3.75% higher multiplier of high-five-year salary in the computation of annuities. The system is only available to personnel whose careers are deeply involved in foreign intelligence operations.

3. Historically, Agency records reflect that the "expected" early retirement policy was adopted because of long-range concern and conviction that the Clandestine Services could not be effectively manned with a substantial number of employees over age 60 and because there was a pronounced age hump in its population. The policy was made Agency-wide for the sake of uniformity of policy. There is no record of discussions as to the need for or the ultimate impact of a single policy applicable to all elements of the Agency and all levels and fields of employment. In the absence of questions being raised on this point at the time the CIA Retirement System was authorized, it can be assumed that early retirement (age 60) was generally thought to be in the best interests of the Agency in its entirety.

4. My exposure to the workings of the "expected" retirement policy and of the CIA Retirement System, together with my sensing of employee attitudes and morale, has gradually brought into focus a series of questions, challenges, and imbalances which appear to call for intensive study leading to reaffirmation or modification of the basic policy or at least significant changes in Agency practices and employee benefits. I have identified the items listed below for intensive study:

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as to enforceability. To the extent that employees are reluctantly complying under duress or through misunderstanding, it is discriminatory and inequitable. I have been told the Agency will not enforce the retirement policy, but employees do not know this. At the same time, the number of extensions in service of employees who do not wish to retire is growing rapidly. It seems inevitable that the effectiveness of the policy will deteriorate rapidly. At the very least, the policy will become known as being one merely of suasion with the option of compliance vested in the individual.

b. Resistance to and resentment of an age 60 retirement policy applied on an Agency-wide basis appears to be mounting rapidly. In the absence of legal and regulatory clarification or the provision of compensatory benefits, the Agency must expect its policy to be challenged in the courts and to be protested to members of the Congress. The Agency must be prepared to respond to inquiries.

c. The policy is fundamentally unfair to all employees to whom it was not a known and accepted condition of employment at the time of original employment. There appears to be a strong case for compensatory payments to employees who comply with Agency policy. I have a tentative proposal for such payments which I believe is politically feasible and which I believe would not require legislation. This might provide sufficient incentive to support the policy on a voluntary acceptance basis and thereby compensate for the unenforceability of the policy if such is the case.

d. The practice of reemploying annuitants or extending employees in service is reported to be generating resentment and poor morale. This could be particularly divisive and dangerous since most reemployed annuitants and some of those extended in service have been relatively senior officers believed by the little fellow to be in a position to "engineer' their retention in employment or reemployment.

e. There is voiced doubt among numerous senior Agency officials that an all-employee age 60 retirement policy is in the best interests of the Agency. They point out that the establishment of the CIA Retirement System satisfied the original objectives of the policy and are calling for a reassessment of the need for and effect of the policy and its possible modification.

f. Current compensation practices for reemployed annuitants are in many cases resulting in an employment status that is financially more remunerative than that held before retirement. (I discovered this fact only recently and have evolved new compensation concepts to avoid this. They will be presented for approval promptly.) I mention this as being a possibly contra-productive influence affecting the retirement policy.

g. The extension in service of participants in the CIA Retirement System (which provides a more favorable annuity primarily in consideration for a short career span) seems contrary to the spirit and intent of the law and Congress. In at least some such cases I believe the individual should be returned to the Civil Service Retirement System prior to retirement as a requisite to reemployment; otherwise he would appear to be receiving an unwarranted premium in his ultimate annuity computation. The same reasoning applies to a lesser degree where post-retirement contractual employment is contemplated. It is reported that quite a few such cases are pending.

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5. The preceding items are to varying degrees currently being studied by myself, my staff officers, the CIA Retirement Board, and by a senior officer of the Intelligence Directorate. Although I assume primary responsibility for all aspects of these matters, I believe the issues involved warrant highest level Agency policy consideration in view of their impact upon Agency morale, staffing plans, legal authorities, and Congressional relationships. I also believe there is a high degree of urgency in the present situation. If there are to be any modifications in Agency retirement policy or in its application, it is highly desirable to do so quickly in the face of the rapid growth in the number of impending retirements. Accordingly, I believe them to be beyond the purview of the CIA Retirement Board as it is presently constituted.

6. In view of the extreme importance of these issues to the Agency and its employees and their possibly varying impact on the several Directorates, it is suggested that you may wish to appoint a very senior Task Force whose individual members are directly representative of the Deputy Directors and appropriate senior Agency staff officers to guide the overall study and consider the various proposals which will be developed. In any event, your approval to proceed with studies on the issues raised is requested together with any guidance you may consider appropriate.

Emmett D. Echols
Director of Personnel

The recommendation contained in paragraph 6 is approved.

Richard Helms
Director of Central Intelligence

Date

As you know, DCI has approved of this problem being reviewed by the Deputies, Gen. Counsel, and I.G. /s/LKW
18 Nov 67

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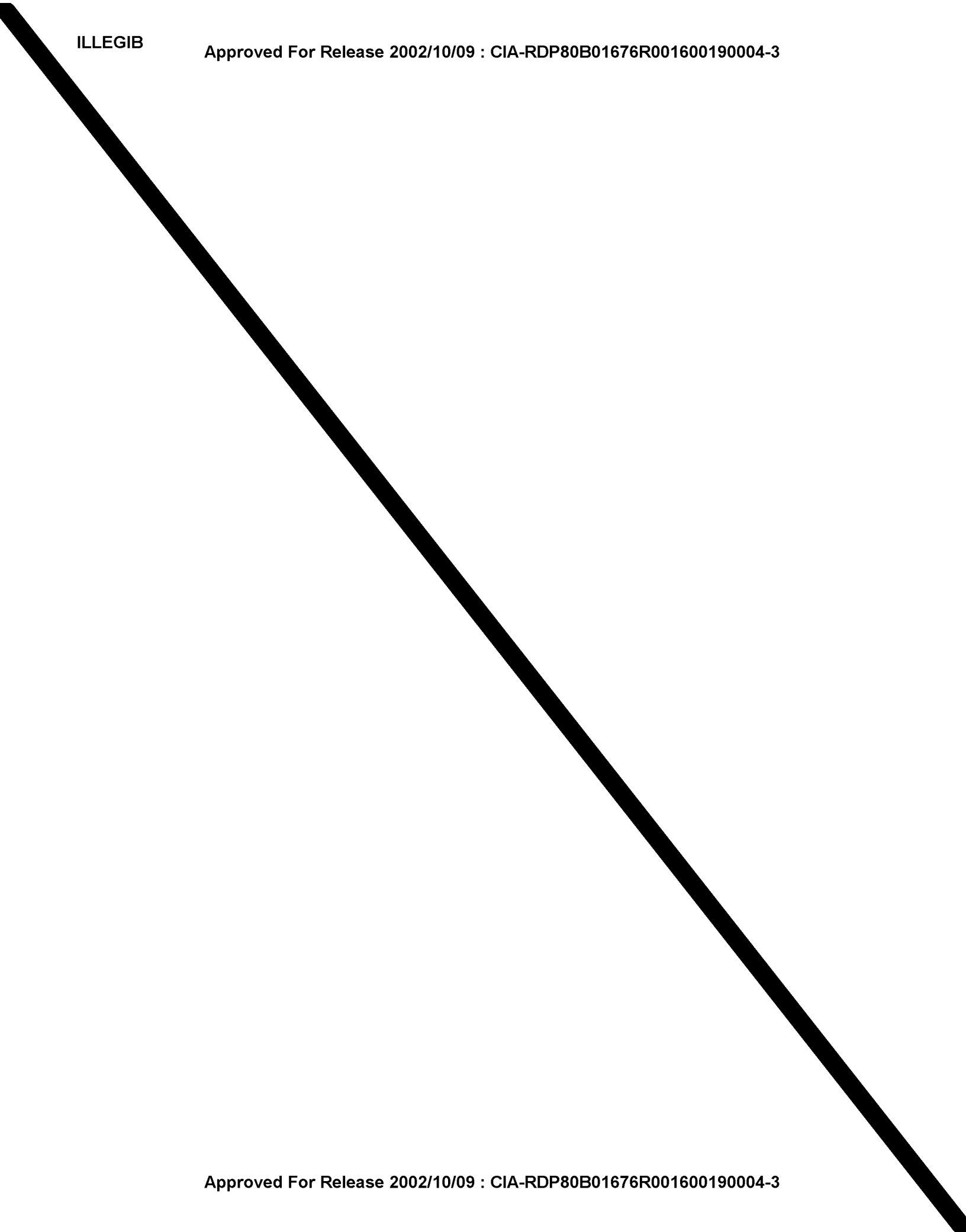

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NDUM FOR:

We can expect retirement complaints regardless of the policy it could well be that we have inequities in our system and we should accordingly provide some balance against these inequities.

[redacted]

R. L. Bannerman

26 Oct. 61
(DATE)

SECRET EYES ONLY

FORM NO 101 REPLACES FORM 10-101
AUG 54 WHICH MAY BE USED.

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Remarks: DDCI handwritten note:

"Wouldn't the SEG be a good forum in which to develop recommendations to Director on this?"

/s/ T

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